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Business News Scotland

Welcome to our round up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Procurement – can the principles work for smaller businesses?

The government recently published a press release congratulating its procurement department on its 10th anniversary for saving taxpayers £3.8 billion last year.

Larger corporations often have dedicated purchasing departments to handle procuring supplies, services and other business purchases. Specialising in this way allows for finding or negotiating the best deals for purchases and can save businesses considerable amounts of money.

Savings are welcome in businesses of all sizes, but smaller businesses may lack the resources to have a specialised purchasing function in the business. Can businesses without a dedicated purchasing department still harness the benefits of procurement?

We would say yes, here's how:

1. Embrace technology

There are procurement software and online platforms available that can streamline purchasing processes. See how you can make use of them in your business.

Many affordable solutions cater to small businesses, offering features such as vendor management, purchase order creation, and expense tracking. These tools can help you to automate repetitive tasks and give you insights into spending patterns.

2. Centralise purchasing authority

Designate a specific individual or team within your business to oversee purchasing.

This will enable you to establish clear guidelines for how purchases are made and allow you to introduce some controls to make sure that purchases are made within the bounds of predetermined policies. It can be surprising how many purchase requests disappear, can be reduced, or a cheaper price can be found if the buying process can be governed by a procedure.

A further advantage is that duplicate purchases are avoided, and it is often easier to negotiate better deals with suppliers when you have a single point of contact building a relationship with them.

3. Foster supplier relationships

Even without the leverage of large-scale purchasing volumes, small businesses can still negotiate favourable terms, discounts, or flexible payment arrangements with suppliers.

Why not see if you can take a supplier to lunch or make a point of remembering an anniversary and sending flowers. Building long-term relationships may make preferential treatment or access to exclusive deals possible.

4. Implement cost effective sourcing strategies

You may have alternatives for sourcing purchases that go beyond traditional suppliers. Local businesses, online marketplaces, or group purchasing organisations might be able to get you access to more competitive pricing and a wider range of products or services.

You may find that another business would be happy to pool resources so that together you can meet minimum order quantities that give you a lower price. Or you could explore joining a cooperative buying network.

5. Invest in employee training

Help your employees to develop the skills and knowledge to make informed purchasing decisions. There are training sessions or workshops available on procurement best practices, budget management and how to evaluate suppliers. Some of this training can be accessed free or at low cost.

6. Monitor and improve

As with any aspect of business, measuring performance helps you to identify where you are currently and see progress. Monitoring costs savings and supplier performance could help you to see areas that can be further optimised.

Regularly reviewing your procurement processes will also help you spot areas that can be improved and give you additional savings.

In conclusion, while smaller businesses may lack the resources for a dedicated purchasing department, you can still gain significant benefits by applying procurement principles in your business.

Doing so, will help you gain a competitive edge in the marketplace and fuel your ongoing growth and success.

If you would like any assistance with identifying how you could save money with your business' purchasing, we would be happy to help. Please just give us a call.

Inflation falls in March

According to the latest figures released by the Office for National Statistics, the Consumer Prices Index (CPI) rose by 3.2% in the 12 months to March 2024. This is down from 3.4% in February.

The main reason for the change was that prices for food are rising by less than a year ago. The cost of meat, crumpets, and chocolate biscuits all fell, as did furniture and household goods.

Offsetting these falls, motor fuels have risen over the past year whereas they were falling a year ago.

Of course, while the inflation rate is lower, it is still positive which means that prices are still going up, albeit at a slightly slower rate.

A decreasing inflation rate does though provide some positive news for businesses. It could mean less pressure on your own costs and your profit margin. As the cost-of-living eases, the purchasing power of more consumers increases and this can create more demand.

The Bank of England will be watching the CPI to determine its next move on interest rates. While there is still a way to go to reach the 2% target, the latest news is encouraging that we may see a reduction in the base rate sooner rather than later.

See:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest>

New service to manage import duties and VAT accounts

HM Revenue and Customs (HMRC) have published guidance on a new online service to help businesses with their import duties and VAT accounts.

If you or your business are involved in importing goods into England, Scotland, Wales and Northern Ireland, you can use the new service to:

- Get your import VAT statements and certificates;
- Manage your payment accounts; and
- Manage or view authorities.

This new service should help to bring everything you need into one place.

To use the service, you need to have a Government Gateway user ID and password, and you must be subscribed to the Customs Declaration service.

If you need any help registering with HMRC, please do not hesitate to contact us!

For more information and to log in, please see:

<https://www.gov.uk/guidance/manage-your-import-duties-and-vat-accounts>

Lump sum death benefit charge – what do you need to tell HMRC?

New guidance has been published by HM Revenue and Customs (HMRC) to help legal representatives find out what they need to tell HMRC to calculate the lump sum death benefit charge.

When someone passes away and their estate includes certain financial products like pensions or life insurance products, any lump sum death benefit received by the beneficiaries might be subject to inheritance tax.

If a lump sum death benefit charge applies to the payout, it could affect the overall value of the estate and potentially impact the inheritance tax liability. Therefore, it's important to accurately report this information to HMRC to make sure that the overall tax paid is correct.

The new guidance sets out what the legal representative must do and the information they will need to provide to HMRC.

If you need any help with Inheritance Tax or would like to see if there are any planning measures that could mitigate Inheritance Tax on your estate, please contact us. We will be happy to help you.

For the guidance, please see: <https://www.gov.uk/guidance/how-to-tell-hmrc-about-a-lump-sum-death-benefit-charge>

Don't get caught out by tax avoidance

HM Revenue and Customs (HMRC) are running a campaign to help people avoid being caught out by tax avoidance schemes. This is particularly relevant to those who are contractors, agency workers, or are working through an umbrella company.

Tax avoidance schemes are schemes designed to bend the rules of the tax system in a way that was not intended. They usually involve contrived transactions whose only real purpose is to artificially reduce the amount of tax someone pays. It is different from effective tax planning.

Being caught out by a tax avoidance scheme can be expensive. People who use them often end up paying interest and penalties in addition to the tax they should have paid. This is on top of the fees that may already have been paid to the person who sold the scheme.

Therefore, it makes sense to check your working arrangements and contract to make sure that you do not get caught up in a scheme that might land you a big tax bill somewhere down the line. This applies whether you are being considered as self-employed or employed.

Red flags include receiving more money in your bank account than what is shown on your payslip, or receiving untaxed payments that are described as loans or capital advances.

You should be especially careful if a scheme is described as 'HMRC approved', since HMRC does not approve schemes.

HMRC provide a risk checker tool that you can use to find out if your employment arrangements might involve tax avoidance. This can be accessed here: <https://www.gov.uk/guidance/check-if-you-are-at-risk-of-tax-avoidance>

We are expert tax advisers and can help you with effective tax planning, however, please be assured that we do not offer tax avoidance schemes. If you think that you may have been caught out by a tax avoidance scheme and would like some advice, please call us and we will be happy to help you.

See: <https://dontgetcaughtout.campaign.gov.uk/tax-avoidance/>

Updated VAT road fuel scale charges from 1 May 2024

From 1 May 2024, the VAT road fuel scale charges will be updated. The new rates will need to be used from the start of the next VAT accounting period that begins on or after 1 May. So, if your next VAT quarter starts on 1 June, you will begin using the new rates for the quarter that begins on 1 June.

VAT road fuel scale charges provide a simplified method for calculating and accounting for VAT for VAT registered businesses that pay for road fuel that is used both for business and private purposes.

Instead of tracking each fuel purchase individually, businesses apply fixed charges based on the type of vehicle and its CO2 emissions. The fixed charges are effectively an estimate of the VAT on private use.

If your business only pays for fuel that is used for business purposes, or simply reimburses business mileage to employees, there is no need to use the VAT road fuel scale charges.

The vehicle logbook or UK approval certificate should show the vehicle's CO2 emissions figure. However, the online tool here - <https://www.gov.uk/get-vehicle-information-from-dvla> - can also be used to check this figure.

If the car is too old to have a CO2 emissions figure, then the CO2 band needs to be identified based on the engine size.

The new scale charges together with details on how to calculate the charge for a vehicle can be found on HMRC's website at the link below. If you need any help with calculating the rate or are not sure whether you need to use these charges on your VAT return, please feel free to call us and we will be happy to help you.

See: <https://www.gov.uk/guidance/vat-road-fuel-scale-charges-from-1-may-2024-to-30-april-2025>

Employment Law changes in April

New employment laws came into force on 6 April 2024 that apply to all businesses. Here is a brief summary of the changes.

Flexible working:

- An employee now has a right to request flexible working from their first day of employment.

- Previously, an employee could only make one request in a 12-month period, however this is now increased to two.
- Employers must respond to a request within 2 months and provide an explanation and consultation if the request is refused.

Carer's leave:

- Previously, there were no leave rights for employees who are carers. Now, an unpaid leave entitlement exists from day one of employment.

Pregnancy and family leave:

- Enhanced protection in a redundancy process is available to employees on maternity leave, shared parental leave or adoption leave. Under these laws, an employer must offer suitable alternative vacancy where one is available. This is sometimes called MAPLE protection.
- From 6 April, this protection has been extended to cover an employee from the point they tell their employer they are pregnant.
- MAPLE protection generally extends to 18 months after the birth of the child, but conditions apply to those who have taken shared parental leave without taking maternity or adoption leave.

Paternity leave:

- There is now greater flexibility in how and when paternity leave is taken.
- It can be taken at any time in the first year of the child's life, and the weeks can now be split and taken at different times.

See: <https://helptogrow.campaign.gov.uk/new-changes-to-employment-law/>

Labour party publishes plan to close the tax gap

The Labour party has published their plan to close the tax gap – the gap between tax owed and tax paid – which is estimated at £36 billion.

The plan broadly proposes to do this by boosting tax compliance. Labour plan to be able to raise up to an additional £5 billion a year as a result of their proposed measures. They anticipate that £1 spent on compliance activity will result in £9 of revenue and so reckon they will need to invest £555 million per year to achieve £5 billion of revenue.

Some of the measures they propose introducing includes:

- increasing staffing at HM Revenue & Customs (HMRC) with an additional 5,000 staff.
- Focusing additional resource to target businesses with greater complexity and return.
- Ring-fencing “blockbuster” funding that can be used on strategically important criminal cases to increase the deterrence effect that a high-profile case can bring.

- Improving customer service at HMRC.
- Investing in digitisation and technology.

The plan also notes areas where changes to the law may be needed to help tackle tax non-compliance. This could include regulating the tax advice market and requiring a wider range of tax schemes to be reported to HMRC.

For more details on the proposals, please see: <https://labour.org.uk/wp-content/uploads/2024/04/Labours-Plan-to-Close-the-Tax-Gap.pdf>

Pub tenants to get a new deal

Secondary legislation now before Parliament will give pub tenants on a tied lease more options for the beer and products they sell.

Under the new Scottish Pubs Code, eligible tied pub tenants will be able to sell a guest beer from a brand that has a small production level or give them the right to switch to a market rate lease where they could buy products in from any supplier.

Tied leases often involve tenants being required to buy their beer and other products from the landlord at a higher cost than would be the case on the open market. They then usually receive a lower rent or other support in exchange.

However, such arrangements limit the tenant's flexibility in selecting products that best suit the preferences of their customers. Tenants generally have little ability to negotiate more favourable pricing or terms and the higher prices may impact on a pub's profitability or competitiveness.

It is estimated that there are just under 700 tied pubs in Scotland. The new legislation should make for a fairer arrangement between tenants and their landlords.

If approved, the new legislation will come into force on 7 October 2024, and will be overseen by an Adjudicator who should be appointed next month.

See: <https://www.gov.scot/news/new-deal-for-pub-tenants/>